a world class African city

Johannesburg Development Agency (SOC) Ltd
(Registration number 2001/005101/07)
Annual Financial Statements
for the year ended 30 June 2015

These annual financial statements were supervised by:
Zandile Mafata

Auditor-General of South Africa
Registered Auditors

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Regenerating the City of Johannesburg through facilitating and/or investing in development projects.
CHAIRPERSON	C Coovadia
CHIEF EXECUTIVE OFFICER	T Mendrew
CHIEF FINANCIAL OFFICER	Z Mafata
NON EXECUTIVE DIRECTORS	W Thwala N Selamolela P Masilo P Zagerotos P Mashiane K Govender E Harvey N Maila
REGISTERED OFFICE	The Bus Factory 3 President Street Newtown Johannesburg 2000
BUSINESS ADDRESS	The Bus Factory 3 President Street Newtown Johannesburg 2000
POSTAL ADDRESS	P O Box 61877 Marshalltown Johannesburg 2001
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
BANKERS	Standard Bank of South Africa Limited
AUDITORS	Auditor-General of South Africa Registered Auditors
SECRETARY	R Shirinda
COMPANY REGISTRATION NUMBER	2001/005101/07

Index

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

Abbreviations

BAC	Bid Adjudication Committee
BRT	Rea Vaya Bus Rapid Transport System
COID	Compensation for Occupational Injuries and Diseases
CJMM	City of Johannesburg Metropolitan Municipality
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
JDA	Rea Vaya Bus Rapid Transport System
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MMC	Member of the Mayoral Committee

Directors' Responsibilities and Approval

The directors are required by the MFMA, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the financial position of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the fair presentation of the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal controls aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal controls provide reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The directors have reviewed the entity’s budget for the next year and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is substantially dependent on the CJMM for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the CJMM has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements. The Annual Financial Statements have been examined by the entity's external auditors and their report is presented on page 6 to 9.

The annual financial statements set out on pages 10 to 78, which have been prepared on the going concern basis, were approved by the directors on 31 August 2015 and were signed on its behalf by:

C Coovadia (Chairperson)

T Mendrew (Chief Executive Officer)

Audit and Risk Committee Report

We are pleased to present the Audit and Risk Committee report of the JDA, which is in compliance with the Companies Act (the Act) and the requirements of the MFMA. The committee has been appointed for the financial year ended 30 June 2015 and has adopted terms of reference that comply with the Act and King III. These terms of reference have been approved by the board, copies of which are available from the company secretary on request.

Audit and risk committee members and attendance

The audit committee consists of the members listed hereunder and should meet not less than four times per annum as per its approved terms of reference. During the current period 10 scheduled meetings were held.

Name of member	Number of meetings attended
Mr K Govender (Chairperson)	10/10
Ms M Dolamo (Independent Member) (Appointed 03 February 2015)	4/10
Ms B Kelly (Independent Member) (Appointed 03 February 2015)	4/10
Mr Z Samsam (Independent Member)	10/10
Ms J Vergotine (Independent Member) - Retired 03 February 2015	4/10
Ms N Maila (Non-Executive Director) (Appointed 21 October 2015)	2/10
Ms N Selamolela (Non-Executive Director)	8/10
Prof W Thwala (Non-executive director) (Resigned 27 March 2015)	5/10

Audit and risk committee responsibility

The committee is solely responsible for its statutory duties in terms of Companies Act, MFMA and Audit & Risk Committee Charter. In addition, the committee is required to perform other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the Company. We report that we have adopted appropriate formal terms of reference in line with the requirements of section 166(2)(a) of MFMA and conducted our affairs in compliance with these terms of reference and have discharged our responsibilites accordingly.

The effectiveness of internal control

The committee has received assurance that the system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, internal audit provides the Audit and Risk Committee and management with reasonable assurance that the internal controls are adequate and partially effective. This is achieved by means of the risk based audit process, as well as the identification of corrective actions taken in the prior year and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report of the annual financial statements, and the management report of the Auditor-General South Africa pertaining to the previous financial year, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Audit and Risk Committee Report

Evaluation of the annual financial statements

The Audit and Risk committee has:

- reviewed and discussed the audited annual financial statements for the current period to be included in the annual report, with the Auditor-General and the board directors;
- reviewed the Auditor-General of South Africa's management report and management's response relating to the previous financial year and is satisfied that the corrective actions that were put in place were implemented effectively thereto;
- reviewed changes in accounting policies and practices and;
- reviewed the entities compliance with legal and regulatory provisions.
- reviewed the reports of the internal auditors.
- considered accounting treatments, significant or unusual transactions and accounting judgements;
- Considered the appropriateness of accounting policies and any changes made;
- Reviewed the independent auditor's audit report on the annual financial statements and concluded that the annual financial statements fairly present the financial position of the JDA at the end of the financial year and the results of the operations and cashflows for the financial year.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

We have:

- Approved the annual internal audit plan and its annual programme.
- Received and reviewed reports from internal auditors concerning effectiveness and adequacy of the company's internal control environment, systems and processes.
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of the prior year audit findings.

Risk management

The committee:

- Reviewed the compliance framework and risk management framework;
- Reviewed the JDA's policies on risk management and risk assessment, inlcuding fraud risks and information technology risks.
- Reviewing and monitoring enterprise risk management processes and ensuring that management implements appropriate risk management mitigation strategies.
- Determining the levels of risk tolerance and risk appetite and monitoring that risks are managed within the pre-determined levels.
- Determining framework for good governance and ethical conduct across the entity.

K Govender
(Chairperson of the Audit and Risk Committee)

Date: ______________________

Report of the Auditor General

TO THE PROVINCIAL LEGISLATURE OF JOHANNESBURG DEVELOPMENT AGENCY (SOC) LTD

Report on the financial statements

I have audited the accompanying annual financial statements of the Johannesburg Development Agency (SOC) Ltd which comprise the statement of financial position as at 30 June 2015, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 10 to 78.

Responsibility of the directors for the annual financial statements

The directors is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] , and in the manner required by the Companies Act of South Africa [any applicable enabling legislation]. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

The entity's policy is to prepare annual financial statements on [the basis of accounting determined by the National Treasury] [entity-specific basis of accounting] as set out in [accounting policy note] [note to the financial statements].

Report of the Auditor General

Opinion

In my opinion the annual financial statements present fairly, in all material respects, the financial position of Johannesburg Development Agency (SOC) Ltd as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the PFMA/MFMA (if the entity falls within the scope of the PFMA/MFMA) and Companies Act, 1973 (if the entity falls within the scope of the Companies Act) or the section of the entity's enabling legislation (if the entity does not fall within the scope of the PFMA/MFMA)].

Auditor-General of South Africa
Registered Auditors

31 August 2015

Directors' Report

The directors submit their report for the year ended 30 June 2015.

1. INCORPORATION

The entity was incorporated in terms of the Companies Act 61 of 1973 on 07 March 2001 and obtained its certificate to commence business on the same day. The entity is a state-owned company as defined in the Companies Act No. 71 of 2008.

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal Entity as contemplated in Local Government: Municipal Systems Act 32 of 2000. The principal objective of the company is to initiate, stimulate and support development projects that rejuvenate economic activity throughout the Johannesburg Metropolitan area. Its activities and interventions are directed at the urban and economic regeneration through large and small scale, multi-faceted capital infrastructure developments to achieve a spatially restructured city which promotes liveability, economic growth and an efficient and competitive, multi-use environments.

As an agency of the CJMM, the JDA obtains its mandate from the CJMM, acting through the Executive Mayor and Council. Acting through its Board of Directors, it is accountable to the Member of Mayoral Committee for Development Planning, who exercises political oversight and to whom the JDA undertakes service delivery and compliance reporting in respect of its scorecard. As an agency, JDA interacts closely with the CJMM's various departments and municipal entities in respect of their functional interests in development activities. The JDA operates in accordance with the Growth and Development Strategy principles of its parent municipality. Its overall functions are guided by the CJMM's existing plans, and spatial and economic frameworks.

The service delivery mandate is articulated in the Service Delivery Agreement (SDA) with the CJMM which serves as a shareholder compact with its parent municipality.

JDA manages its resources judiciously, adhering to the prescripts of its Supply Chain Management policies. To that end, the JDA follows best practice, balancing the need to support suppliers and ensure their continued survival and sustainability while simultaneously ensuring timeous delivery and execution of its activities, ensuring value for money is received.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements.

Net surplus of the entity for the financial year is R16 286 295 (2014: surplus R3 558 418).

Alexandra Renewal Programme

The Alexandra Renewal Programme (ARP) was integrated into the JDA with effect from 1 July 2014, in line with the Mayoral Committee resolution. Human resources and related matters were attended to in preparation for the integration. A transfer agreement to effect the transfer of the ARP from the City's department of Development Planning to the JDA was drafted. The Transfer Agreement is in the process of being finalised. All employee related costs, including salaries, are not carried by the JDA. These costs have remained with the CJMM's Development Planning Department. The budget for all other operational costs was transferred to the JDA after the approval of the mid-year adjustment budget during February 2015. No assets or liabilities were transferred.

Directors' Report

Fraud Hotline
As part of its endeavours to curb fraud and corruption in its activities, the entity maintains an anti-corruption anonymous Tip-off Hotline which is managed by the City of Johannesburg Metropolitan Municipality's tip-off line. The JDA encourages all its stakeholders to use the Hotline to report incidents for its investigation of fraud, corruption and maladministration. For the period under review the JDA received three tip-offs from members of the public. The three cases are as follows:

The first case was reported to the Office of the MMC Development Planning and brought to the attention of the JDA on the 26th January 2015. This case relates to a group of people who purport to be JDA officials, who solicited bribes and in exchange they guarantee Service Providers a winning bid. The matter was reported to the Commercial Crime Unit and is currently being investigated.

The second case was reported to the Chief Audit Executive on the 24th March 2015 by a whistle-blower who is a member of the public that relates to possible conflict of interest relating to a JDA official who works in the ARP. The conflict of interest relate to a JDA official who works in the ARP indirectly doing business with the Gauteng Provincial Government. The Risk & Compliance Office is currently investigating this matter and should be finalised by end of August 2015.

In June 2014, the JDA received a complaint through the tip-off hotline alleging incidents of maladministration by the Managing Contractor in JDA's Soweto projects. The complainant alleged harsh and improper treatment of small contractors relating to allocations of work, payments and quality supervision. Internal Audit was appointed to investigate the allegations and produced a report for the Audit and Risk Committee and the Development and Investment Committee of the Board. Management has been requested to develop an implementation plan to remedy the matters that arose in the complaint of all JDA Managing Contractor projects to ensure there is no recurrence of similar complaints by SMME's. The report has been developed and being implemented. Subsequently, the complaintant was satisfied with the process and the matter was duly closed.

3. GOING CONCERN

The company is dependent on the CJMM to fund its operations as it earns revenue from management fees from CJMM's capital projects.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. CONTINGENT LIABILITIES

The JDA is involved in several legal proceedings. The outcome of these legal proceedings cannot as yet be determined. Details of contingent liabilties are disclosed in note 32.

5. FRUITLESS AND WASTEFUL EXPENDITURE [redacted]

The organisation incurred fruitless and wasteful expenditure pertaining to waiting time costs incurred on a project as well as interest on the Telkom account. Sweeping interest on the overdrawn treasury account disclosed in previous financial years as fruitless and wasteful expenditure has been reclassified as finance charges and consequently removed from the fruitless and wasteful expenditure reconciliation. Details of the fruitless and wasteful expenditure incurred are disclosed in Note 39.

6. IRREGULAR EXPENDITURE

The organisation incurred irregular expenditure due to breaches of the procurement processes. Details of the irregular expenditure incurred are disclosed in Note 40.

7. ACCOUNTING POLICIES

The annual financial statements are prepared in accordance with the prescribed GRAP standards issued by the Accounting Standards Board as the prescribed framework.

8. CONTRIBUTION FROM SHAREHOLDER

There were no changes in the authorised or issued share capital of the entity during the year under review, except for the operating subsidy provided to the company by the shareholder, no other contributions were provided.

Directors' Report

9. DIRECTORS' PERSONAL FINANCIAL INTERESTS

All Directors have made the declarations of their business interest and signed their annual declarations of interests. No director is involved in any undertaking or entity which is in direct competition or whose activities are in conflict with the interests of the company. No director of the company declared any personal financial interest in any contracts considered and entered into by the company during the period under review.

10. DIRECTORS

The directors of the entity for the period under review were:

Name	Nationality	Changes
C Coovadia (Chairperson)	South African	
Z Mafata (Chief Financial Officer)	South African	
T Mendrew (Chief Executive Officer)	South African	
E Harvey	South African	
N Maila	South African	Appointed 21 October 2014
K Govender	South African	
W Thwala	South African	
N Selamolela	South African	
P Masilo	South African	
P Zagerotos	South African	Appointed 21 October 2014
P Mashiane	South African	

11. SECRETARY

The company secretary of the entity is Rodney Shirinda of:

Business address	
	The Bus Factory 3 President Street Newtown Johannesburg 2000
Postal address	
	P O Box 61877 Marshalltown Johannesburg 2001

12. CORPORATE GOVERNANCE

General

The Board of Directors and the Executive Managers recognise and are committed to the principles of openness, integrity and accountabilty as contained in the King III Code of Corporate Governance. Through its actions and Board commitment, the shareholder and all stakeholders are assured that the company is managed ethically and in accordance with prudent risk management parameters in compliance with generally accepted corporate practice.

Board of directors

The Board is a unitary board which consists of executive and independent non-executive directors. It:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
  - 9 non-executive directors (2014: 7 non-executive directors), all of whom are independant directors as defined in the Code. No director is a disqualified person in terms of Section 93F of the Municipal Systems Act; and
  - 2 executive directors (2014: 2 executive directors), the Chief Executive Officer and the Chief Financial Officer.
- has established a Board directorship training programme through the annual induction programme and attendance of applicable courses for directors with the Institute of Directors.

Board Chairperson and Chief Executive Officer

The Board Chairperson is a non-executive and independent director and is not in the employment of the company, or its parent municipality (as defined by the King Code and the Municipal Systems Act).

The roles of the Board Chairperson and Chief Executive Officer are separate, with responsibilities divided between them and no individual has unfettered powers of discretion. The powers and duties of the Chief Executive Officer are properly delegated and are contained in a written delegation of duties document. Although functionally reporting to the Chief Executive Officer, the Chief Financial Officer is a full member of the Board and owes fiduciary duties to the entity and the entire Board in relation to the prudent financial management of the company.

Audit and Risk Committee

The members of the Audit and Risk Committee are: Mr K Govender, Ms N Selamolela, Ms N Maila, Ms B Kelly, Ms M Dolamo and Mr Z Samsam. The Chairperson of the Audit and Risk committee is Mr K Govender, who is a non-executive director. The committee has three independent members i.e: Ms B Kelly, Ms M Dolamo and Mr Z Samsam. The Audit Committee has met on ten occassions during period under review to review matters necessary to fulfill its role including the approval of financial statements. The Chief Executive Officer and Chief Financial Officer are not a members of the Audit and Risk Committee but have a standing invitation to attend meetings. During the current year under review the changes in the committee included the appointment of Ms B Kelly, Ms M Dolamo and Ms N Maila and the resignation of Prof Thwala and Ms J Vergotine.

Development and Investment Committee

The members of the Development and Investment Committee are: Mr C Coovadia, Mr K Govender, Ms P Mashiane, Mr W Thwala, Mr P Zagaretos, Mr T Mendrew and Ms Z Mafata. The Chairperson of the Development and Investment Committee is Mr W Thwala, who is a non-executive director. The Development and Investment Committee met on six occassions during period under review to review matters necessary to fulfill its role including examining the risks associated with the proposed projects such as the financing, returns and risk profiles. During the current year under the review the changes in the committee included the appointment of Mr P Zagaretos.

HR and Remuneration Committee

The members of the HR and Remuneration Committee are Dr E Harvey, Mr P Masilo, Ms N Selamolela and Ms N Maila. The Chairperson of the HR and Remuneration Committee is Dr E Harvey who is a non-executive director. The HR and Remuneration Committee has met on four occassions during period under review to review matters necessary to fulfil their role. During the current year under review the changes to the committee included the appointment of N Maila.

Directors' Report

The remuneration of the Chief Executive Officer and the Chief Financial Officer is determined by the Board of Directors within the upper limits determined by the CJMM.

Social and Ethics Committee

The members of the Social and Ethics Committee are Ms P Mashiane, Mr P Masilo, Mr P Zagaretos, Dr E Harvey and Prof W Thwala. The Chairperson of the Social and Ethics Committee is Ms P Mashiane who is a non-executive director. The Social and Ethics Committee met on four occassions during period under review to review matters necessary to fulfil their role. During the current year under review the changes in the committee included the appointment of P Zagaretos.

Internal audit -

The entity has established an internal audit function which is headed by a Chief Audit Executive (CAE). This is as per the Circular 65 of the MFMA that was effective as from 13 November 2012.

13. CONTROLLING ENTITY

The entity's controlling entity is CJMM.

14. SPECIAL RESOLUTIONS

None.

15. BANKERS

The management of the treasury function within the Company is managed under the auspices of the CJMM's Treasury department and Assets and Liabilities Committee. The current bankers are Standard Bank of South Africa Limited.

16. AUDITORS

Auditor-General of South Africa, Johannesburg will continue in office in accordance with the Public Audit Act No 25, section 92 of the MFMA and section 90 of the Companies Act.

17. FUNDS HELD BY CJMM

During the 2008/2009 financial year, the JDA held money in the Attorney's Trust account for the purchase of land for roads widening for the BRT and the Bertrams Priority Block. At the end of the 2008/2009 financial year, these funds were transferred to the CJMM and then subsequently transferred back into the JDA's sweeping account. The company has a sweeping arrangement with the CJMM whereby all cash is swept on a daily basis to the CJMM's bank account.

	BRT Land Acquisition	Northern Gateway BRT Troyeville	Bertrams Priority Block	Total
Balance as at 01 July 2014	34 951 712	2 789 472	15 114 513	52 855 697
Movement through the year (Security costs)	-	-	(110 128)	(110 128)
	34 951 712	2 789 472	15 004 385	52 745 569

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended and the Municipal Finance Management Act, Act 56 of 2003, I certify that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

R Shirinda
Company Secretary

Johannesburg, Newtown
31 August 2015

Statement of Financial Position as at 30 June 2015

Figures in Rand	Note(s)	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	5	6 160 261	9 898 943
Trade and other receivables from exchange transactions	4	877 216 326	496 009 016
		883 376 587	**505 907 959**
Non-Current Assets			
Property, plant and equipment	6	5 900 083	6 619 981
Intangible assets	7	296 753	426 887
Deferred tax	8	1 391 954	1 278 064
		7 588 790	**8 324 932**
Total Assets		**890 965 377**	**514 232 891**
LIABILITIES			
Current Liabilities			
Loans from shareholders	3	123 253 931	63 551 188
Finance lease obligation	9	-	207 554
Trade and other payables from exchange transactions	10	653 914 781	364 913 376
VAT payable	11	26 306 040	14 152 520
Provisions	12	3 207 417	3 020 868
		806 682 169	**445 845 506**
Non-Current Liabilities			
Deferred tax	8	12 303 233	5 607 862
Project funds payable	13	4 341 058	11 426 901
		16 644 291	**17 034 763**
Total Liabilities		**823 326 460**	**462 880 269**
Net Assets		**67 638 917**	**51 352 622**
NET ASSETS			
Contribution from shareholder	14	16 277 624	16 277 624
Accumulated surplus		51 361 293	35 074 998
Total Net Assets		**67 638 917**	**51 352 622**

Statement of Financial Performance

Figures in Rand	Note(s)	2015	2014
Revenue			
Bus factory income	15	358 106	363 245
Recovery of Diepsloot Sanitation Project	15	116 470	285 200
Rendering of services	15	69 796 690	30 141 230
Sundry income	15	1 021 414	4 048 812
Tender fee income	15	1 173 473	756 802
Government grants and subsidies	16	26 739 000	24 977 000
Interest received	17	65 629	2 314 891
Total revenue		**99 270 782**	**62 887 180**
Expenditure			
Employee related costs	18	(47 040 364)	(36 612 029)
Administrative and management fees	19	(607 568)	(113 054)
Depreciation and amortisation	20	(1 471 398)	(1 608 855)
Finance costs	21	(6 437 795)	(386 571)
General Expenses	22	(20 212 760)	(17 686 171)
Debt impairment	23	-	(164 826)
Repairs and maintenance	24	(542 408)	(386 744)
Total expenditure		**(76 312 293)**	**(56 958 250)**
Operating surplus		**22 958 489**	**5 928 930**
Loss on disposal of property, plant and equipment	25	(90 713)	(229 981)
Surplus before taxation		**22 867 776**	**5 698 949**
Taxation	26	(6 581 481)	(2 140 531)
Surplus for the year		**16 286 295**	**3 558 418**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Share premium	Total share capital	Accumulated surplus	Total net assets
Balance at 01 July 2013		**60**	**16 277 564**	**16 277 624**	**31 516 580**	**47 794 204**
Changes in net assets						
Surplus for the year		-	-	-	3 558 418	3 558 418
Total changes		-	-	-	3 558 418	3 558 418
Opening balance as previously reported		60	16 277 564	16 277 624	35 101 614	51 379 238
Adjustments						
Prior year adjustments	35	-	-	-	(26 616)	(26 616)
Balance at 01 July 2014 as restated		**60**	**16 277 564**	**16 277 624**	**35 074 998**	**51 352 622**
Changes in net assets						
Surplus for the year		-	-	-	16 286 295	16 286 295
Total changes		-	-	-	16 286 295	16 286 295
Balance at 30 June 2015		**60**	**16 277 564**	**16 277 624**	**51 361 293**	**67 638 917**

Cash Flow Statement

Figures in Rand	Note(s)	2015	2014
Cash flows from operating activities			
Receipts			
Grants		26 739 000	24 977 000
Interest income		59 567	2 219 260
Other receipts		2 669 463	1 802 676
Cash receipts from CAPEX fundung		1 329 775 952	558 559 128
		1 359 243 982	587 558 064
Payments			
Employee costs		(45 307 906)	(36 046 172)
Suppliers		(1 362 919 447)	(546 051 561)
Finance costs		(6 437 795)	(386 571)
		(1 414 665 148)	(582 484 304)
Undefined difference compared to the cash generated from operations note		**90**	**-**
Net cash flows from operating activities	30	**(55 421 076)**	**5 073 760**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(426 880)	(625 164)
Purchase of other intangible assets	7	(285 198)	(285 198)
Net cash flows from investing activities		**(712 078)**	**(910 362)**
Cash flows from financing activities			
Movement in project funds payable		(7 085 843)	5 787 367
Proceeds / (Repayment) of shareholders loan		59 702 743	(965 504)
Finance lease payments		(222 428)	(377 587)
Net cash flows from financing activities		**52 394 472**	**4 444 276**
Net increase/(decrease) in cash and cash equivalents		**(3 738 682)**	**8 607 674**
Cash and cash equivalents at the beginning of the year		9 898 943	1 291 268
Cash and cash equivalents at the end of the year	5	**6 160 261**	**9 898 942**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	48 127 000	22 212 000	**70 339 000**	69 796 690	**(542 310)**	43.1
Recovery of Diepsloot Sanitation Project	87 000	-	**87 000**	116 470	**29 470**	
Tender fee income	150 000	-	**150 000**	1 173 473	**1 023 473**	43.2
Bus factory income	300 000	-	**300 000**	358 106	**58 106**	
Sundry Income	473 000	-	**473 000**	1 021 414	**548 414**	43.3
Interest received	4 000 000	(3 000 000)	**1 000 000**	65 629	**(934 371)**	43.4
Total revenue from exchange transactions	**53 137 000**	**19 212 000**	**72 349 000**	**72 531 782**	**182 782**	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants and subsidies	26 739 000	-	**26 739 000**	26 739 000	**-**	
Total revenue	**79 876 000**	**19 212 000**	**99 088 000**	**99 270 782**	**182 782**	
Expenditure						
Employee related costs	(52 867 000)	(764 000)	**(53 631 000)**	(47 040 364)	**6 590 636**	43.5
Administration and management fees	(288 000)	(406 000)	**(694 000)**	(607 568)	**86 432**	
Depreciation and amortisation	(1 226 766)	(578 000)	**(1 804 766)**	(1 471 398)	**333 368**	43.6
Finance costs	(97 000)	(3 000 000)	**(3 097 000)**	(6 437 795)	**(3 340 795)**	43.7
Repairs and maintenance	(1 125 000)	(500 000)	**(1 625 000)**	(542 408)	**1 082 592**	43.8
General Expenses	(24 252 213)	(6 272 000)	**(30 524 213)**	(20 212 760)	**10 311 453**	43.9
Total expenditure	**(79 855 979)**	**(11 520 000)**	**(91 375 979)**	**(76 312 293)**	**15 063 686**	
Operating surplus	**20 021**	**7 692 000**	**7 712 021**	**22 958 489**	**15 246 468**	
Loss on disposal of assets and liabilities	(20 021)	-	**(20 021)**	(90 713)	**(70 692)**	
Surplus before taxation	**-**	**7 692 000**	**7 692 000**	**22 867 776**	**15 175 776**	
Taxation	-	-	**-**	6 581 481	**6 581 481**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**7 692 000**	**7 692 000**	**16 286 295**	**8 594 295**	

Johannesburg Development Agency (SOC) Ltd

(Registration number 2001/005101/07)
Annual Financial Statements for the year ended 30 June 2015

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Trade and other receivables from exchange transactions	364 095 000	-	**364 095 000**	877 216 326	**513 121 326**	
Cash and cash equivalents	7 462 000	-	**7 462 000**	6 160 261	**(1 301 739)**	
	371 557 000	**-**	**371 557 000**	**883 376 587**	**511 819 587**	
Non-Current Assets						
Property, plant and equipment	6 460 000	-	**6 460 000**	5 900 083	**(559 917)**	
Intangible assets	332 000	-	**332 000**	296 753	**(35 247)**	
Deferred tax	835 000	-	**835 000**	1 391 954	**556 954**	
	7 627 000	**-**	**7 627 000**	**7 588 790**	**(38 210)**	
Total Assets	**379 184 000**	**-**	**379 184 000**	**890 965 377**	**511 781 377**	
Liabilities						
Current Liabilities						
Loans from shareholders	102 719 000	-	**102 719 000**	123 253 931	**20 534 931**	
Finance lease obligation	141 000	-	**141 000**	-	**(141 000)**	
Trade and other payables from exchange transactions	200 248 000	-	**200 248 000**	653 914 690	**453 666 690**	
VAT payable	10 003 000	-	**10 003 000**	26 306 040	**16 303 040**	
Provisions	1 600 000	-	**1 600 000**	3 207 417	**1 607 417**	
	314 711 000	**-**	**314 711 000**	**806 682 078**	**491 971 078**	
Non-Current Liabilities						
Deferred tax	5 581 000	-	**5 581 000**	12 303 233	**6 722 233**	
Provisions	3 021 000	-	**3 021 000**	-	**(3 021 000)**	
Project funds payable	10 097 000	-	**10 097 000**	4 341 058	**(5 755 942)**	
	18 699 000	**-**	**18 699 000**	**16 644 291**	**(2 054 709)**	
Total Liabilities	**333 410 000**	**-**	**333 410 000**	**823 326 369**	**489 916 369**	
Net Assets	**45 774 000**	**-**	**45 774 000**	**67 639 008**	**21 865 008**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Contribution from shareholder	16 277 624	-	**16 277 624**	16 277 624	**-**	
Reserves						
Accumulated surplus	29 496 376	-	**29 496 376**	51 361 294	**21 864 918**	
Undefined Difference	**-**	**-**	**-**	**90**	**90**	
Total Net Assets	**45 774 000**	**-**	**45 774 000**	**67 638 918**	**21 864 918**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Grants	13 370 000	-	**13 370 000**	26 739 000	**13 369 000**	
Interest income	1 000 000	-	**1 000 000**	59 567	**(940 433)**	
CAPEX funding	400 000 000	-	**400 000 000**	1 329 775 952	**929 775 952**	
Other receipts	2 000 000	-	**2 000 000**	2 669 463	**669 463**	
	416 370 000	**-**	**416 370 000**	**1 359 243 982**	**942 873 982**	
Payments						
Employee costs and supplier payments	(308 276 000)	-	**(308 276 000)**	(1 408 227 353)	**(1 099 951 353)**	
Finance costs	(50 000)	-	**(50 000)**	(6 437 794)	**(6 387 794)**	
	(308 326 000)	**-**	**(308 326 000)**	**(1 414 665 147)**	**(1 106 339 147)**	
Net cash flows from operating activities	**108 044 000**	**-**	**108 044 000**	**(55 421 165)**	**(163 465 165)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(625 000)	-	**(625 000)**	(426 880)	**198 120**	
Purchase of other intangible assets	-	-	**-**	(285 198)	**(285 198)**	
Net cash flows from investing activities	**(625 000)**	**-**	**(625 000)**	**(712 078)**	**(87 078)**	
Cash flows from financing activities						
Movement in project funds payable	(134 356 000)	-	**-**	(7 085 843)	**(7 085 843)**	
Repayment of shareholders loan	27 003 000	-	**-**	59 702 833	**59 702 833**	
Finance lease payments	-	-	**-**	(222 428)	**(222 428)**	
Finance lease receipts	(66 000)	-	**-**	-	**-**	
Net cash flows from financing activities	**(107 419 000)**	**-**	**-**	**52 394 562**	**52 394 562**	
Net increase/(decrease) in cash and cash equivalents	-	-	**107 419 000**	(3 738 681)	**(111 157 681)**	
Cash and cash equivalents at the beginning of the year	9 898 943	-	**9 898 943**	9 898 943	**-**	
Cash and cash equivalents at the end of the year	**9 898 943**	**-**	**117 317 943**	**6 160 262**	**(111 157 681)**	

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.2 Transfer of functions between entities under common control

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

Accounting Policies

1.2 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Subsequent measurement

The entity subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

At the transfer date, the entity classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The entity makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the entity classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and/or loans and receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Performance bonus

Bonus provision was raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Useful lives of property, plant and equipment

The entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for impairment

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Relationship with majority shareholder and classification as principal

The JDA is an agency of the CJMM as a municipal entity. The JDA implements capital projects as part of the City's infrastructure programme. The CJMM makes capital budget available for these projects. The JDA contracts with suppliers and delivers these projects. The JDA pays suppliers, and then claims the capital expenditure against the budget from the CJMM. The CJMM then reimburses the JDA including a pre-determined rate of management fees, after the invoices have been submitted and scrutinised as correct.

Since the JDA does not capitalise any of these assets in its financials and CJMM recognises these as either Work-in-Progress or completed assets, i.e. as invoices are sent for reimbursement, the JDA is of the view that this revenue, which is received in arrears, cannot be classified as 'grant revenue'. Furthermore, CJMM does not recognise this as an expense paid to the JDA or grant. CJMM benefits totally from all implementation work done by the JDA, as at the completion of each project they add yet another asset to their register. The JDA bears all the contractual risk with the suppliers and regardless of any defaults in claims received from the controlling entity, the JDA will be liable to the supppliers for actual work performed. The only assets in the JDA's financials is a motor vehicle, computer equipment, furniture and fittings, office equipment and improvements to the office building. All these are paid from the operational funding and capitalised in the statement of financial position.

Project funds payable

This represents funds received from CJMM and other funders. The funds are to be used for the identified projects. Although these amounts are payable on demand to CJMM and other funders, no agreement has been reached regarding the payment of these funds. Since these funds have been with the JDA for periods of more than a year, management has therefore made the judgement that these funds will be classified as non-current liability until repayment terms with CJMM are in place . Refer to note 12 for details.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.4 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Leasehold Improvements	20 years
Furniture and fixtures	10-15 years
Motor vehicles	8 years
Office equipment	6-15 years
Computer equipment	5 -15 years
Leased Assets - printers	3 years
Computer Equipment - servers	6-15 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Accounting Policies

1.5 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

Subsequent to initial measurement, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Licenses	1 year
Computer software, internally generated	8 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

Accounting Policies

1.5 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.6 Financial instruments

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade and other receivables from exchange transactions	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Trade and other payables from non-exchange transactions	Financial liability measured at amortised cost
Other financial liabilities	Financial liability measured at amortised cost
Finance lease liabilities	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:
- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

Accounting Policies

1.7 Tax (continued)

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax lossess can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance Leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating Leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

The difference between the amounts recognised as revenue and the contractual payments are recognised as an operating lease asset or liability.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Accounting Policies

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the entity; or
(b) the number of production or similar units expected to be obtained from the asset by the entity.

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.10 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Criteria developed by the entity to distinguish non-cash-generating assets from cash-generating assets are as follow:

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

1.12 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

A contingent liability is disclosed, unless the possibility of an outflow of resources is remote. Unless the possibility of an outflow in settlement is remote, the entity discloses for each class of contingent liability at the end of the reporting period a brief description of the nature of the contingent liability and , where applicable:

- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any cashflow and:
- the possibility of any reimbursements.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.12 Provisions and contingencies (continued)

A contingent asset is disclosed, unless the possibility of an inflow of resources is remote. Unless the possibility of an inflow in settlement is remote, the entity discloses for each class of contingent asset at the end of the reporting period a brief description of the nature of the contingent asset and , where applicable:

- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any cashflow and:
- the possibility of any reimbursements.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the development projects at the reporting date based on actual expenditure and progress certificates on capital projects.

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The entity assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt.

When government remit grants on a re-imbursement basis, revenue, is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Capital grants are funds due from the CJMM for capital expenditure incurred on projects.

The monthly expenditure incurred for each project is accounted for as work in progress. The monthly equivalent of the work in progress is claimed from the CJMM.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are recognised as revenue and as assets, when incurred.

Concessionary loans received

A concessionary loan is a loan granted to or received by an property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by the entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Related Parties

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Relationships between parents and subsidiaries shall be disclosed irrespective of whether there have been transactions between those related parties. An entity shall disclose the name of the entity's parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

The JDA is a subsidiary of the CJMM and as a result is classified as a municipal entity. The JDA has identified the controlling entity and all fellow controlled entities as related parties and all related party transactions and balances are disclosed acccordingly.

Employees identified as key personnel are all employees on the executive management committee of the JDA. Details of transactions with these individuals are included in the employee costs note.

1.17 Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2014/07/01 to 2015/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a reconciliation between the actuals and the budgeted amounts for the reporting period has not been included in the Statement of comparison of budget and actual amounts.

1.18 Statutory Receivables [redacted]

Statutory receivables are receivables that:
- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
- the defnition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:
- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:
- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable;
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
 -derecognises the receivable;
-recognises separately any rights and obligations created or retained in the transfer.

Accounting Policies

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:
- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;t
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of the an allocation referred to in paragraph (b), (c), or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or;
- a grant by the municipality otherwise than in accordance with the MFMA.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Unauthorised expenditure that was incurred and identified during the current financial year and which was not condoned by the Council or the Board of Directors or the relevant authority must be recorded appropriately in the unauthorised expenditure register. If liability for the unauthorised expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The unauthorised expenditure register must also be updated accordingly. If the unauthorised expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the unauthorised expenditure register.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by CJMM or the Board of Directors of the JDA or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.23 Accumulated surplus [redacted]

The accumulated surplus represents the net difference between the total assets and total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/deficit. Prior year adjustments, relating to income and expenditure, are debited/credited against accumulated surplus when retrospective adjustments are made.

1.24 Grants in aid [redacted]

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:
- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving raise to the transfer occurred.

Accounting Policies

1.25 Financial risk management

The financial risk management is under the control of the Audit and Risk Committee.

Cash flow forecasts are prepared on a quarterly basis and there is adequate monitoring of the treasury account.

Interest rate risk

Deposits attract interest rates that vary with prime. The company policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on surplus/ deficit. The interest rate is pre-determined by the Treasury Department of the CJMM with the bank and any fluctuations in the interest rate is as per this agreement.

Credit risk

Credit risk consists mainly of cash equivalents and trade receivables.

Trade receivables comprise of only one major debtor being the CJMM and rental debtors which is a small customer base of Bus Factory tenants. An initial deposit is held for all rental customers to cover a portion any defaults on the rental agreement.

1.26 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments, which are disclosed in note 31.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are me:

- contracts are non-cancellable or only cancellable at a significant cost (for example, contracts for computer or building maintenance services); and
- contracts relate to something other than a routine, steady, state of business of the entity - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Changes in estimates and errors

The effect of a change in an accounting estimate shall be recognised prospectively by including it in profit or loss in;
- the period of the change, if the change affects that period only, or
- the period of the change and future periods, if the change affects both.

All material prior period errors are corrected retrospectively in the first set of financial statements authorised for issue after the discovery by management by;
- restating the comparative amounts for the prior period(s) presented in which the error occurred; or
- if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

However, if it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the entity must restate the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Further, if it is impracticable to determine the cumulative effect, the beginning of the current period, of an error on all prior periods, the entity must restate the comparative information to correct the error prospectively from the earliest date practicable.

Accounting Policies

1.28 Events after reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and

(b) those that are indicative of conditions that arose after the reporting period (nonadjusting events after the reporting period).

Adjusting events are recognised in the financial statements of the period just ended, whereas non-adjusting events are not recognised, but are disclosed in the notes to the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 5 (revised 2013): Borrowing Costs

Benchmark treatment is to recognise borrowing costs as an expense.

Alllowed alternative is to capitalise borrowing costs if it is attributable to the acquisition, construction or production of a qualifying asset. All other instances, expense borrowing costs. All amendments to be applied prospectively. The effective date of the amendment is for years beginning on or after 01 April 2014. The municipality has adopted the amendment for the first time in the 2015 annual financial statements. The impact of the amendment is not material.

GRAP 100 (revised 2013): Discontinued Operations

All accounting, presentation and disclosure requirements with regards to non-current assets held for sale (or disposal groups) have been deleted. The impact of the amendments is:
- Will no longer be required to reclassify assets as held for sale. GRAP 100 now only deals with discontinued operations
- Certain disclosure must be made if, at the reporting date, management has taken a decision to dispose of a significant asset or a group of assets and liabilities. Will fall under the Standard of GRAP on Presentation of Financial Statements.

Measurement requirements are to be applied prospectively and presentation and disclosure requirements are to be applied retrospectively The effective date of the amendment is for years beginning on or after 01 April 2014. The municipality has adopted the amendment for the first time in the 2015 annual financial statements. The impact of the amendment is set out in note Changes in Accounting Policy.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2015 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	01 April 2015	The impact of the amendment is not material.
• GRAP 105: Transfers of functions between entities under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 106: Transfers of functions between entities not under common control	01 April 2015	The impact of the amendment is not material.
• GRAP 107: Mergers	01 April 2015	The impact of the amendment is not material.
• GRAP 20: Related parties	01 April 2016	The impact of the amendment is not material.
• IGRAP 11: Consolidation – Special purpose entities	01 April 2015	The impact of the amendment is not material.
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2015	The impact of the amendment is not material.
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2015	The impact of the amendment is not material.
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2015	The impact of the amendment is not material.
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2015	The impact of the amendment is not material.
• GRAP32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
• GRAP108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
• IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.
• DIRECTIVE 11: Changes in measurement bases following the initial adoption of Standards of GRAP	01 April 2016	The impact of the amendment is not material.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

3. LOANS FROM SHAREHOLDERS

Sweeping account	(70 508 362)	(10 695 491)
City of Johannesburg Metropolitan Municipality - BRT Land and Bertrams Priority Block Acquisition Fund	(52 745 569)	(52 855 697)
	(123 253 931)	**(63 551 188)**

Sweeping account

The company has a sweeping arrangement with the CJMM whereby all cash is swept on a daily basis to the CJMM's bank account. Interest is paid and earned on this account at the CJMM Treasury rate.

BRT Land and Bertrams Priority Block Acquisition Funds

During the 2008/2009 financial year, the JDA held money in the Attorney's Trust account for the purchase of land for roads widening for the BRT and the Bertrams Priority Block. At the end of the 2008/2009 financial year, these funds were transferred to the CJMM. Subsequently the funds were transferred back into the JDA's sweeping account administered by the CJMM.

The loan has no terms and conditions and bears interest at the CJMM treasury rate.

4. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Deposits	55 000	55 000
Insurance Recovery Debtor	-	2 280 000
Rental debtors	99 858	64 282
Prepaid expenses	32 342	460 650
Related party debtors	877 029 126	493 149 084
	877 216 326	**496 009 016**

Deposits paid relate to a utility deposit that is held by City Power for the Bus Factory electricity account.

Insurance recovery debtor related to an insurance claim that was receivable in the prior financial year. At year end, there were no other insurance claims that were owing to the entity.

Rental debtors consist of the rental outstanding from the Bus Factory tenants. These tenants were managed by Broll Property Group and are now being managed internally.

Prepaid expenses relates to computer network and licencing costs that was paid in advance for the annual connection costs to Continuity SA (Pty) Ltd.

Related party debtors relate to funds owed by the CJMM and other municipal entities for expenditure incurred on capital projects

Trade and other receivables pledged as security

No trade and other receivables were pledged as security for the period under review.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

4. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

Trade receivables past due but not impaired

The receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2015, R97,931,705 (2014: R16,929,746) were 3 months past due but not impaired because the debtor is the CJMM and the possibility of default is remote.

Trade and receivables are fairly valued.

+3 months past due	97 931 705	16 929 746

Rental debtors

Outstanding rental debtors with a total value of R164,826 considered irrecoverable were written off in the previous year. No rental debtors were writted off in the period under review. An assessment of the rental debtors was conducted at the end of the financial year and no additional rental debtors were written off.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	3 448	-
Alexandra Heritage Project Funds	6 156 813	6 157 615
ABSA	-	2 399 953
Ring-fenced bank balance	-	1 341 375
	6 160 261	**9 898 943**

Cash on hand consists of petty cash.

The funds received for the Alexandra Heritage Project from the National Department of Tourism relates to funds deposited into a separate bank account for exclusive use for this project. The account is held with Standard Bank South Africa.

The ABSA bank balance relates to the previous ABSA sweeping account. The account was closed in December 2014 by CJMM Treasury.

Ring-fenced balance relates to money received from Industrial Development Corporation for feasibility studies for Orange Farm; Diepsloot and Orlando West. The funders had requested a separate bank account for their funds. On completion of the feasibility studies the funders were informed about the remaining balance and a directive was sought on remittance of the balance. To date, no communication was received from the funders. This account was closed in March 2015 by CJMM Treasury and the funds were transferred into the JDA's Standard Bank account.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. PROPERTY, PLANT AND EQUIPMENT

	2015			2014		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	2 179 399	(1 086 166)	1 093 233	2 073 593	(946 821)	1 126 772
Motor vehicles	136 013	(132 124)	3 889	136 013	(130 179)	5 834
Office equipment	242 980	(66 962)	176 018	241 950	(43 813)	198 137
Computer Equipment	1 637 113	(901 443)	735 670	1 924 176	(1 032 538)	891 638
Leasehold improvements	5 177 883	(1 652 871)	3 525 012	5 177 883	(1 399 301)	3 778 582
Computer Equipment - Servers	876 927	(510 666)	366 261	871 497	(409 588)	461 909
Leased assets	63 629	(63 629)	-	662 553	(505 444)	157 109
Total	**10 313 944**	**(4 413 861)**	**5 900 083**	**11 087 665**	**(4 467 684)**	**6 619 981**

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 126 772	136 055	-	(169 594)	1 093 233
Motor vehicles	5 834	-	-	(1 945)	3 889
Office equipment	198 137	1 099	-	(23 218)	176 018
Computer Equipment	891 638	268 341	(81 372)	(342 937)	735 670
Leasehold improvements	3 778 582	-	-	(253 570)	3 525 012
Computer Equipment - Servers	461 909	21 385	(490)	(116 543)	366 261
Leased assets	157 109	-	(8 849)	(148 260)	-
	6 619 981	**426 880**	**(90 711)**	**(1 056 067)**	**5 900 083**

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1 251 659	39 034	-	(163 921)	1 126 772
Motor vehicles	25 263	-	-	(19 429)	5 834
Office equipment	45 172	169 529	-	(16 564)	198 137
Computer Equipment	1 248 097	249 505	(229 980)	(375 984)	891 638
Leasehold improvements	4 037 977	-	-	(259 395)	3 778 582
Computer Equipment - Servers	414 494	167 096	-	(119 681)	461 909
Leased assets	290 622	122 746	-	(256 259)	157 109
	7 313 284	**747 910**	**(229 980)**	**(1 211 233)**	**6 619 981**

Pledged as security

The property, plant and equipment are not pledged for security.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The following leased assets are included in Property, Plant and Equipment listed above

	2015			2014		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Leased assets - Printers	63 629	(63 629)	-	662 553	(505 444)	157 109
Leasehold improvements	5 177 883	(1 652 871)	3 525 012	5 177 883	(1 399 301)	3 778 582
Total	**5 241 512**	**(1 716 500)**	**3 525 012**	**5 840 436**	**(1 904 745)**	**3 935 691**

Assets subject to finance lease (Net carrying amount)

	2015	2014
Leasehold improvements	3 525 012	3 778 582
Printers	-	157 109
	3 525 012	**3 935 691**

Other information

Leasehold improvements

Leasehold improvements are carried at historical cost. The title deeds for The Bus Factory are registered in the name of the CJMM.

7. INTANGIBLE ASSETS

	2015			2014		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Licenses	285 198	(190 132)	95 066	285 198	(190 132)	95 066
Computer software, internally generated	1 183 922	(982 235)	201 687	1 469 120	(1 137 299)	331 821
Total	**1 469 120**	**(1 172 367)**	**296 753**	**1 754 318**	**(1 327 431)**	**426 887**

Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Licenses	95 066	285 198	(285 198)	95 066
Computer software, internally generated	331 821	-	(130 134)	201 687
	426 887	**285 198**	**(415 332)**	**296 753**

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Licenses	-	285 198	(190 132)	95 066
Computer software, internally generated	539 312	-	(207 491)	331 821
	539 312	**285 198**	**(397 623)**	**426 887**

Figures in Rand	2015	2014

7. INTANGIBLE ASSETS (continued)

Pledged as security

The intangible assets are not pledged for security.

8. DEFERRED TAX

Deferred tax liability

Property, plant and equipment	(1 546 465)	(1 644 200)
Temporary difference - S24C Allowance	(10 756 768)	(3 963 662)
Total deferred tax liability	**(12 303 233)**	**(5 607 862)**

Deferred tax asset

Provisions	1 391 954	1 219 949
Leases	-	58 115
Deferred tax balance from temporary differences other than unused tax losses	1 391 954	1 278 064
Total deferred tax asset	**1 391 954**	**1 278 064**

Deferred tax liability	(12 303 233)	(5 607 862)
Deferred tax asset	1 391 954	1 278 064
Total net deferred tax liability	**(10 911 279)**	**(4 329 798)**

Reconciliation of deferred tax asset \ (liability)

At beginning of year	(4 329 798)	(2 189 267)
Originating differences on tangible fixed assets	124 354	171 340
Originating differences on the S24C allowance	(6 819 721)	(2 408 516)
Originating differences arising from leases	(58 119)	(46 562)
Originating differences arising from provisions	172 005	143 207
	(10 911 279)	**(4 329 798)**

The deferred tax liability arose out of the implementaton of the S24C allowance. According to the SARS, the entity were never set up to make profit. In the case of the JDA, although the subsidy from the CJMM does not cover the operational expenditure in the previous financial years, we were able to generate sufficient management fees to end up in a surplus position. The surplus is viewed as unspent allocation by SARS. SARS then allows a S24C allowance which gives rise to deferred tax. Deferred taxation will be recognised at the end of the financial year.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

9. FINANCE LEASE OBLIGATION

Minimum lease payments due		
- within one year	-	221 391
	-	221 391
less: future finance charges	-	(13 837)
Present value of minimum lease payments	**-**	**207 554**

Finance lease payable		
Opening balance	207 554	373 804
Lease obligation current year	14 874	211 337
Lease payments	(222 428)	(377 587)
	-	**207 554**

The JDA has leased 25 photocopier machines from Motswako Office Solutions (Pty) Ltd for a period of 3 years and 3 photocopiers for a period of 17 months. The lease agreement provides for monthly payments of R33,046 in advance and no residual value. The lease period ended 28 February 2015. A new lease was entered into during July 2015.

10. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Accrued expenses	2 867 573	982 170
Deposits received from tenants	44 835	44 835
Accrued leave pay	1 763 848	1 336 093
Related parties payables	575 070	808 466
Retentions held on construction contracts	101 608 349	61 926 875
Trade payables	547 055 106	299 814 937
	653 914 781	**364 913 376**

Accrued expenses relates to expenditure that was incurred but no invoices was received as yet.

Deposits received from tenants represents deposits held on the initial rental agreements with the Bus Factory tenants.

Accrued leave pay relates to days owed to staff members at the reporting date calculated based on the daily pay rate.

Related party payables relate to funds owed to the CJMM and other entities for expenditure incurred and services rendered by the CJMM and other municipal entities.

Trade payables relate to suppliers payable for work done in the normal course of business. The JDA continues to strive to pay its trade payables within 30 days. However, based on the nature of the implementation of capital projects, the bulk of the expenditure is incurred during the last quarter of the financial year with recognition of these trade payables at year end. This results in a higher than normal trade payables balance at year end and is not necessarily a consistant balance throughout the year.

11. VAT PAYABLE

VAT payable	26 306 040	14 152 520

The increase in the VAT payable balance in the current year is mainly due to the high value of capital project claims that are included in the trade receivables based on the capital expenditure incurred during the last month of the financial year. This high volume of claims is normally specfic to the end of the financial year and is not a consistant balance through the year.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

12. PROVISIONS

Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Total
Performance bonus	3 020 868	2 522 806	(2 336 257)	3 207 417

The performance management system is designed to ensure that the JDA's business strategy is translated into measurable key performance areas and indicators for employees. At the beginning of each financial year each employee concludes a performance management contract with a scorecard. Although the performance review in respect of the 2014/15 financial year will be completed during August 2015, bonus payments to qualifying employees were made after the finalisation of the 2014/15 audit and upon receipt of a unqualified audit report from the Auditor General. In December 2014, a bonus payment was made in relation to the 2013/14 year for all qualifying employees excluding EXCO. EXCO bonuses for the 2013/14 year were paid in June 2015. EXCO bonuses for the 2012/13 year were paid in December 2014.

13. PROJECT FUNDS PAYABLE

	2015	2014
Project Funds		
Balance beginning of year	11 426 901	5 639 534
Funding received for the year	1 470 291 725	710 537 394
Expenditure for the year	(1 477 377 568)	(704 750 027)
	4 341 058	**11 426 901**
Funds Payable		
Johannesburg Water	1 558 673	1 558 673
Non-BRT (Transportation)	2 782 385	2 782 384
Industrial Development Corporation	-	988 653
Inner City Public Places Challenge	-	1 000 000
Alexandra Heritage Centre	-	5 097 191
	4 341 058	**11 426 901**

The project funds payable relates to funding that was previously received in advance from CJMM for the implementation of projects. The remaining balances represent the projects that were either implemented below the original estimated cost or recoveries that were received after the completion of the projects.

Except for the funds from the Industrial Development Corporation, these remaining funds are from original capex advances from the CJMM for the implementation of the related projects and are therefore due and payable to the CJMM.

14. CONTRIBUTION FROM SHAREHOLDER

	2015	2014
Authorised		
100 Ordinary Type A shares of R1 each	100	100
Issued		
60 Ordinary Type A shares of R1	60	60
Share premium	16 277 564	16 277 564
	16 277 624	**16 277 624**

All issued shares are fully paid up by CJMM. CJMM paid a share premium for these shares. The initial amount was issued in 2002 and was R3,489,664. The balance of this amount was paid to the JDA in 2003.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

15. REVENUE

Rendering of services	69 796 690	30 141 230
Recovery of Diepsloot Sanitation Project	116 470	285 200
Tender fee income	1 173 473	756 802
Bus factory income	358 106	363 245
Sundry Income	1 021 414	4 048 812
Interest received - investment	65 629	2 314 891
Government grants & subsidies	26 739 000	24 977 000
	99 270 782	**62 887 180**

The amount included in revenue arising from exchanges of goods or services are as follows:

Rendering of services	69 796 690	30 141 230
Recovery of Diepsloot Sanitation Project	116 470	285 200
Tender fee income	1 173 473	756 802
Bus factory income	358 106	363 245
Sundry income	1 021 414	4 048 812
Interest received - investment	65 629	2 314 891
	72 531 782	**37 910 180**

The amount included in revenue arising from non-exchange transactions is as follows:

Transfer revenue		
Government grants & subsidies	26 739 000	24 977 000

Rendering of Services

Management fees are earned through the rendering of services by the JDA on projects funded by the CJMM and other funders. The JDA's Service Level Agreement with the CJMM and with each of the other funders stipulates the percentage fee to be claimed by the JDA for actual capital expenditure spent. The capital expenditure incurred and the management fees earned are claimed from CJMM on a monthly basis.

16. GOVERNMENT GRANTS AND SUBSIDIES

Government grant (operating)	26 739 000	24 977 000

17. INTEREST RECEIVED

Interest revenue		
Bank	58 972	2 214 303
Interest charged on trade and other receivables	6 657	4 957
Interest recovered - SARS	-	95 631
	65 629	**2 314 891**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

18. EMPLOYEE RELATED COSTS

Basic	42 068 111	33 141 053
Provision for bonuses	2 611 743	2 028 184
UIF	272 132	213 220
COID	396 647	290 430
SDL	394 765	316 469
Group life benefit	637 803	513 085
Leave pay accrual charge	659 163	109 588
	47 040 364	**36 612 029**

Included in the employee related costs are the following key management personnel (as referred to in note 30):

Remuneration of Chief Executive Officer

Annual Remuneration	1 617 864	1 529 750

Remuneration of Chief Financial Officer

Annual Remuneration	1 275 828	1 181 723
Performance Bonus	184 147	-
	1 459 975	**1 181 723**

Remuneration of Chief Audit Executive

Annual Remuneration	812 806	635 000
Travel Allowance	120 000	100 000
Contributions to Pension Funds	43 262	35 831
	976 068	**770 831**

Remuneration of other Executive Managers

Annual Remuneration	4 570 402	3 305 015
Performance Bonus	252 789	-
Contributions to Pension Funds	276 358	-
Travel Allowances	276 000	219 998
	5 375 549	**3 525 013**

Remuneration of Senior Development Managers

Annual Remuneration	3 513 310	2 424 302
Performance Bonus	365 358	-
Contributions to Pension Funds	182 581	28 851
Travel Allowances	120 500	153 000
	4 181 749	**2 606 153**

19. ADMINISTRATIVE AND MANAGEMENT FEES

Administration and management fees - Bus Factory Agents; Archiving costs	607 568	113 054

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

20. DEPRECIATION AND AMORTISATION

Property, plant and equipment	1 056 067	1 211 232
Intangible assets	415 331	397 623
	1 471 398	**1 608 855**

21. FINANCE COSTS

Trade and other payables - Telkom	662	3 621
Bank overdraft	6 419 276	311 564
Finance leases	17 857	71 386
	6 437 795	**386 571**

22. GENERAL EXPENSES

Advertising	1 588 083	1 085 115
Auditors remuneration	1 700 619	1 547 833
Bank charges	25 958	33 803
CEO's Special Projects	15 000	-
Cellphone Expenses	367 029	353 873
Computer expenses	2 229 788	2 309 967
Consulting and professional fees	1 332 590	1 661 304
Diepsloot Sanitation Project costs	116 470	285 200
Development Facilitation Fees	682 991	366 837
Hygiene and other services	206 129	104 612
Insurance	662 593	152 439
Internal Audit Fees	1 490 843	305 621
Marketing	2 788 051	3 075 765
Meetings and Entertainment	219 391	177 990
Motor vehicle expenses	22 605	20 434
Placement fees	1 281 975	1 608 732
Planning and Strategy	523 508	631 862
Postage and courier	-	50
Printing and stationery	929 008	532 289
Project co-ordination fees	-	2 663
Project maintenance costs	355 148	215 694
Security (Guarding of municipal property)	1 569 123	1 095 564
Staff welfare	781 638	598 159
Telephone and fax	309 693	250 626
Training	604 793	410 254
Travel - local	60 527	23 487
Utilities	349 207	835 998
	20 212 760	**17 686 171**

23. DEBT IMPAIRMENT

Debt impairment	-	164 826

The amount impaired during the 2014 financial year relates to an uncollectable rental from the Bus Factory tenants.

24. REPAIRS AND MAINTENANCE [redacted]

Repairs and maintenance - Bus Factory	514 521	358 573
Repairs and maintenance Office Equipment - IT	27 887	28 171
	542 408	**386 744**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

25. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT[redacted]

Loss on disposal of assets	90 713	229 981

26. TAXATION

Major components of the tax expense

Deferred		
Originating and reversing temporary differences	6 581 481	2 140 531

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28,00 %	28,00 %
Tax effect on permanent differences	0,11 %	8,00 %
Add: Tax effect of timing differences	0,13 %	2,75 %
	28,24 %	**38,75 %**

No provision has been made for 2014 tax as the entity has no taxable income.

27. AUDITORS' REMUNERATION

External audit fees	1 700 619	1 547 833

28. OPERATING LEASE

Operating leases - as lessor (income)		
Minimum lease payments due		
- within one year	88 800	121 092
- in second to fifth year	333 000	444 000
	421 800	**565 092**

The operating lease income relates to rental of the Bus Factory offices to tenants. The lease agreements general period is three years and is based on a rental fee per square metre of rental space.

Notes to the Annual Financial Statements

29. DIRECTORS' EMOLUMENTS

Executive

2015

	Emoluments	Annual Bonus	Total
T Mendrew (Chief Executive Officer)	1 617 864	-	1 617 864
Z Mafata (Chief Financial Officer)	1 275 828	184 147	1 459 975
	2 893 692	**184 147**	**3 077 839**

2014

	Emoluments	Total
T Mendrew (Chief Executive Officer)	1 529 750	1 529 750
Z Mafata (Chief Financial Officer)	1 181 723	1 181 723
	2 711 473	**2 711 473**

29. DIRECTORS' EMOLUMENTS (continued)

Non-executive

2015

	Directors' fees	Retainer fees	Total
C Coovadia (Chairperson)	141 564	39 675	181 239
K Govender	267 058	19 840	286 898
E Harvey	140 327	19 840	160 167
N Maila (Appointed 21 October 2014)	41 272	4 960	46 232
P Mashiane	66 225	19 840	86 065
P Masilo	93 713	19 840	113 553
N Selamolela	100 650	19 840	120 490
W Thwala	122 572	19 840	142 412
P Zagarotos (Appointed 21 October 2014)	61 270	4 960	66 230
B Kelly (Independant Audit and Risk Committee Member)	22 816	-	22 816
M Dolamo (Independent Audit and Risk Committee Member)	17 112	-	17 112
Z Samsam (Independent Audit and Risk Committee Member)	63 240	19 840	83 080
J Vergotine (Independent Audit and Risk Committee Member) (Retired 03 February 2015)	24 800	19 840	44 640
	1 162 619	**208 315**	**1 370 934**

2014

	Directors' fees	Retainers	Total
G Simelane (Chairperson - Retired 25 February 2014)	117 062	39 675	156 737
C Coovadia (Acting Chairperson)	15 872	-	15 872
K Govender	53 570	19 840	73 410
E Harvey	24 802	-	24 802
P Kubu (Resigned 21 May 2014)	57 550	19 840	77 390
N Lila (Resigned 09 April 2014)	54 560	19 840	74 400
B Majola (Retired 25 February 2014)	58 536	19 840	78 376
P Mashiane	60 522	19 840	80 362
P Masilo	100 198	19 840	120 038
D Naidu (Retired 25 February 2014)	59 520	19 840	79 360
A Rajah (Retired 25 February 2014)	52 590	19 840	72 430
N Selamolela	38 690	19 840	58 530
B Stainbank-Mokhobo (Retired 25 February 2014)	14 880	-	14 880
W Thwala	101 210	19 840	121 050
J Vergotine (Independent Audit Committee member)(Retired 03 February 2015)	29 760	19 840	49 600
Z Samsam (Independant Audit Committee member)	4 960	-	4 960
	844 282	**257 915**	**1 102 197**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

30. CASH (USED IN) GENERATED FROM OPERATIONS

Surplus	16 286 295	3 558 418
Adjustments for:		
Depreciation and amortisation	1 471 398	1 608 855
Loss on disposal of assets	90 713	229 981
Debt impairment	-	164 826
Movements in provisions	186 549	559 239
Annual charge for deferred tax	6 581 481	2 140 531
Movement in expenditure - non cash components	14 875	88 592
Changes in working capital:		
Trade and other receivables from exchange transactions	(381 207 310)	(287 900 668)
Impairment of Bus Factory tenants	-	(164 826)
Trade and other payables from exchange transactions	289 001 403	281 084 535
VAT	12 153 520	3 704 277
	(55 421 076)	**5 073 760**

31. COMMITMENTS

Commitments in respect of capital expenditure:

Approved and not yet contracted for		
• Kliptown Renewal Project	30 000 000	20 000 000
• Orlando East Station Precinct	25 000 000	40 000 000
• Nancefield Station Precinct	30 000 000	60 000 000
• Randburg Precinct Upgrade	30 000 000	66 500 000
• Jabulani Transit Orientated Development	18 500 000	15 000 000
• Alexandra Renewal Programme	69 800 000	33 189 000
• Auckland Park Pedestrian Crossing	45 000 000	-
• Rotunda Park Precinct	15 000 000	-
• Westbury Development Precinct	11 200 000	-
• Westbury Pedestrian Bridge	10 000 000	-
• Operational capex	15 000 000	-
	299 500 000	**234 689 000**

Approved and contracted for		
• Contractual costs committed for multi-year contracts	1 074 333 945	601 497 007

The contractual costs committed arise from the related construction work as well as professional services which was contracted for but not yet incurred.

This expenditure will be financed from:		
Government Grants	1 373 833 945	836 186 007

The approved and contracted for commitments consist of the following:		
Portfolio A		
Randburg	24 459 602	7 179 318
Hillbrow Tower	30 311 605	11 013 779
African Food Hub	-	14 304 079
Inner City Public Places Challenge	-	2 870 004
Bruma Lake Rehabilitation	-	43 590 136
Kaserne Redevelopment	1 991 229	3 544 320
Community Development Corridors of Freedom	12 956 919	4 748 595
IOC	10 008 906	19 319 969
Cosmo City Fire Station	2 667 943	3 154 428
Inner City Core	13 761 368	-
Inner City Commuter Links	7 569 715	-

Notes to the Annual Financial Statements

Figures in Rand	2015	2014
31. COMMITMENTS (continued)		
Westgate Station Precinct	6 871 726	-
	110 599 013	**109 724 628**
Portfolio B		
Esselen Clinic	13 205 202	1 864 926
Orchards Clinic	40 842 194	1 391 555
Westbury Clinic	15 996 161	1 143 535
Noordgesig Clinic	660 964	1 824 970
Golden Harvest Clinic	1 442 949	3 394 447
Diepsloot	6 556 328	19 394 459
Sol Plaatjie	233 861	4 249 032
Alex Marlboro Automotive	34 573 965	2 473 577
Bambanani Automotive	852 800	3 887 152
Halfway House Clinic	-	4 122 962
River Park Clinic	4 422 269	1 631 284
Ennerdale Clinic	5 190 562	1 543 567
Orlando East/ Noordgesig Transit Oriented Development	23 809 585	8 012 291
Alexandra Heritage Centre	12 299 918	2 101 638
Mpumelelo Clinic	-	3 756 265
Nancefield Transit Oriented Development	22 307 897	34 780 876
Jabulani Transit Oriented Development	5 781 086	11 802 247
Kliptown Development	3 933 646	-
Westbury TDC	2 796 731	-
Langlaagte Clinic	1 051 979	-
Claremont Clinic	1 373 324	-
Parkhurst Clinic	1 494 766	-
Zandspruit Clinic	2 198 879	-
Rotunda Park	11 476 187	-
	212 501 253	**107 374 783**
Portfolio C		
UJ Cycle Lanes	2 557 322	56 542 674
Non-Motorised Transport	147 771 559	85 548 973
BRT Various	572 390 479	242 305 949
Com Dev Libraries	3 984 874	-
Com Dev Community Centres	8 037 697	-
	734 741 931	**384 397 596**
Portfolio D		
Thoko Mngoma Clinic	1 127 724	-
4th Avenue Clinic	1 430 250	-
Old Ikage Housing Project	2 104 894	-
Jukskei River Rehabilitation	580 000	-
Open Spaces Development	199 487	-
Vincent Tshabalala Bridge	1 165 750	-
Linear Markets: Ivory Park/Alex	3 242 894	-
	9 850 999	**-**
Other Projects		
Naming and branding - CoF	6 640 750	-
Total Approved and Contracted	1 074 333 945	601 497 007

32. CONTINGENT LIABILITIES

Bertrams Priority Block

The JDA has entered into legal proceedings regarding the relocation of illegal occupants in various buildings around the Bertrams Priority Block. Eviction proceedings have been instituted in the South Gauteng High Court. Negotiations are underway with illegal occupants to settle the matter out of court.
Progress made since 2012 - Some of the illegal occupants have agreed to be reallocated to properties operated by the Johannesburg Social Housing Company. The few that would be left because of inability to meet monthly rental payments will be accomodated by the Department of Housing. Since this, no progress has been made in this matter due to ongoing negotiations for reallocations and the legal proceedings have been put in abeyance until alternate accomodation is found by the JDA and CJMM.

Ubuntu Kraal (Pty) Ltd vs JDA & CJMM

The JDA has been served with summons for loss of income and damages to property by the operators of the establishment known as Ubuntu Kraal in Soweto, Johannesburg. The damages were alleged to have been caused by flooding due to the JDA activities in the construction of the Rea Vaya BRT infrastructure along Klipspruit Valley Road. The amount of damages claimed by the plaintiffs is R23.5 million. The matter is now being handled by CJMM insurer attorneys.

Achusim Chijoike vs JDA and Skymark Security (Pty) Ltd

JDA was incorrectly cited as a party to the proceedings relating to claim for injury suffered by Plaintiff resulting from a shooting incident that occured in Randburg in December 2010. The plaintiff alleged that the person implicated in the shooting (a security guard) was in the employ of the JDA and was acting on behalf of the JDA. The JDA disputes all the allegations. The proceedings have not been set down yet.

BRT - Thembu Convenience Store

The CJMM and the JDA were served with a summons by Tembu Convenience Centre CC, trading as a convenience store and Engen Fuel dealership, for loss of income amounting to more than R17 million, as a result of BRT construction works. The City has filed its papers defending the matter in the South Gauteng High Court. The matter has still not been put on a trial roll and the plaintiffs have applied for a set-down. The matter has been set down for trial on 02 March 2016.

Dark Fibre Africa vs JDA and Easyway Tarmac Pave and Projects CC

The matter relates to the fibre optic cable that was damaged by opening a trench in the road reserve with a TLB Machine along the road carriage way of Orlando east, near Sefa Sonke street around 22 June 2013. The plaintiff, Dark Fibre Africa (Pty) Ltd is suing the JDA (2^{nd} Defendant) on the basis that JDA used the services of Easyway Tarmac Pave and Projects CC to manage and control the execution of the water pipeline project and to do the drilling and excavation along the road carriage way of Orlando east near the intersection with sefa sonke street. The matter is being defended by the lawyers appointed by the JDA's insurers (AON).

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

33. RELATED PARTIES

Relationships	
Controlling entity	City of Johannesburg Metropolitan Municipality
Other members of the group	Johannesburg Social Housing Company (SOC) Ltd
	City of Johannesburg Property Company (SOC) Ltd
	City Power Johannesburg (SOC) Ltd
	Johannesburg City Parks and Zoo NPC
	Johannesburg Metropolitan Bus Services (SOC) Ltd
	Johannesburg Roads Agency (SOC) Ltd
	The Johannesburg Tourism Company NPC
	Johannesburg Water (SOC) Ltd
	Pikitup Johannesburg (SOC) Ltd
	Joburg City Theatres (SOC) Ltd
	The Johannesburg Fresh Produce Market (SOC) Ltd
Members of key management (included in employee costs)	Refer to note 18

Related party balances

	2015	2014
Amounts included in Loans,		
Trade and other receivables regarding related parties		
CJMM - Projects	68 608 656	20 672 954
Department of Transportation, Planning and Management - Projects	646 501 355	334 866 624
Inner City Funding - Projects	-	37 736 906
Department of Social Development - Projects	7 253 745	2 784 173
Department of Social Development - Trade	391 897	119 412
Department of Transportation, Planning and Management - Trade	26 420 580	14 230 965
Inner City Funding - Trade	-	1 886 845
Economic Development - Projects	1 778 970	-
CJMM - Trade	3 406 491	1 003 261
Group Strategy	17 440 818	-
Johannesburg Roads Agency (SOC) Ltd	8 200 913	-
Department of Environment Management Services - Projects	20 972 301	39 435 414
Department of Health - Projects	28 316 084	14 197 653
City of Johannesburg Housing - Projects	9 076 641	8 154 623
Economic Development - Trade	88 949	-
Department of Environment Management Services - Trade	1 444 671	1 647 493
Department of Health - Trade	1 560 091	953 339
City of Johannesburg Housing - Trade	741 011	570 824
Community Development - Projects	28 933 205	14 179 617
Community Development - Trade	1 912 143	708 981
Emergency Management Services	3 980 605	-
	877 029 126	**493 149 084**

	2015	2014
Amounts included in Loans,		
Trade and other payables regarding related parties		
CJMM	345 962	808 466
CJMM-Treasury	70 508 352	-
Pikitup Johannesburg (SOC) Ltd	229 106	-
	71 083 420	**808 466**

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

33. RELATED PARTIES (continued)

Related party transactions

	2015	2014
Purchases from related parties		
CJMM - Corporate Services	400 791	1 154 301
Johannesburg Metropolitan Bus Services (SOC) Ltd	26 520	39 390
CJMM - Interest paid	6 419 275	311 564
CJMM - Revenue	349 207	-
	7 195 793	**1 505 255**
Income from related parties		
CJMM - Interest received	-	2 118 607
CJMM - Grant	26 739 000	24 977 000
DP - Facilitation income	116 470	285 200
	26 855 470	**27 380 807**
Payments to related parties		
CJMM	1 118 629	-

Purchases from related parties are listed above.

These services were supplied by the related parties and the CJMM in terms of Section 45 of the Municipal Supply Chain Management of 2005.

Awards to spouses and close family members

None

Terms and conditions

There are no terms and conditions and no interest is due or payable to any related parties listed above. All related party transactions are on an arm's length basis.

34. CHANGE IN ESTIMATE

Property, plant and equipment

Computer Equipment

The useful life of computer equipment was estimated in 2014 to be between 5-10 years depending on the individual assets. In the current period management have revised their estimate to be between 5-15 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 8 094

The impact on deferred tax is R2,266.32.

The impact on the cash flow statement is Rnil.

Leasehold improvements

The useful life of the carports was estimated in 2014 to be 10 years depending on the individual assets. In the current period management have revised their estimate to be 20 years. The effect of this revision has decreased the depreciation charges for the current and future periods by R 4 000.

The impact on deferred tax is R1,120.00.

The impact on the cash flow statement is Rnil.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

34. CHANGE IN ESTIMATE (continued)

Office Equipment

The useful life of the office equipment was estimated in 2014 to be 6 - 10 years. In the current period management have revised their estimate to between 6 - 15 years. The effect of this revision has decreased the depreciation for the current and future periods by R 646

The impact on deferred tax is R180.88.

The impact on the cash flow statement is Rnil.

Computer Equipment - Printers and servers

The useful life of the printers servers was estimated in 2014 to be 6 - 7years. In the current period management have revised their estimate to between 6 - 15 years. The effect of this revision has decreased the depreciation for the current and future periods by R 1 781

The impact on deferred tax is R498.68.

The impact on the cash flow statement is Rnil.

Motor vehicles

The useful life of the motor vehicle was estimated in 2014 to be 7 years. In the current period management have revised their estimate to 8 years. The effect of this revision has decreased the depreciation for the current and future periods by R 3 889.

The impact on deferred tax is R1,088.92

The impact on the cash flow statement is Rnil.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

35. PRIOR PERIOD ERRORS

	2015	2014
Statement of financial position		
Increase in carrying value of intangible assets	-	95 066
Decrease in trade and other receivables - prepaid expenditure	-	(95 066)
Increase in deferred tax liability - Intangible asset adjustment	-	(26 616)
	-	**(26 616)**
Statement of financial performance		
Increase in amortisation on intangle assets	-	(190 132)
Decrease in general expenditure - computer expenses	-	190 132
Increase in deferred taxation	-	(26 616)
	-	**(26 616)**
Cash flow statement		
Cash flow from operating activities		
Amortisation	-	285 198
Cash flow from investing activities		
Intangible assets	-	(285 198)

The correction of the error(s) results in the restatement of comparative figures as follows - 2014

The restatement of the intangible assets was as a result of restating the prior year carrying values with the capitalisation of intangible assets. These licence costs were previously expensed and balance after year end shown as a prepaid expenditure.

36. RISK MANAGEMENT

Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to meet the principle objectives of the organisation for the controlling entity and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings disclosed in notes 3 and 9, cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of financial position.

As stated in the note regarding going concern, the entity's existence is dependant on the continued support from the controlling entity CJMM.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The entity’s activities expose it to a variety of financial risk i.e. market risk (including currency risk, fair value interest rate risk, cashflow interest rate risk and price isk), credit risk and liquidity risk.

The entity is a wholly owned subsidiary of CJMM. Risk management is carried out by a central treasury department (City Treasury) with in the CJMM under policies approved by CJMM's Assets & Liabilities Committee of which the entity's CFO is a part of. City Treasury identifies and evaluates financial risks in close co-operation with the Assets & Liabilities Committee. The Assets & Liabilities Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk and credit risk.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

36. RISK MANAGEMENT (continued)

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. The entity also received an annual grant from CJMM which mitigates to a large extent the liquidity risk of the entity.

The table below analyses the entity's financial liabilities based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	653 914 691	-	-	-

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	364 913 372	-	-	-

Interest rate risk

The company has significant interest-bearing assets in the form of the treasury account. The financial asset subject to the above is the Sweeping account with CJMM. The following table highlights the likely cashflow risk to the company in the event of an interest rate fluctuation. The current interest rate is 6.21%.

Interest rate - Sweeping account	2015	2014
7,21	705 084	1 117 327
5,21	(705 084)	(1 117 327)
	-	-

Credit risk

Credit risk consists mainly of intercompany debtors and other receivables. Through CJMM's Treasury Department, the entity only transacts with major banks such as Standard Bank South Africa Limited (with a AAA rating) with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprises of one major debtor being the CJMM and rental debtors which is a small customer base. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. With the CJMM being the sole debtor of the JDA, credit risk on trade receivables is considered minimal. No changes occurred in the management of these risks from the prior year.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2015	2014
Loans from shareholders - refer to note 8	(123 254 021)	(63 551 187)
Trade and other receivables - refer to note 4	877 216 326	496 009 016

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

37. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

38. EVENTS AFTER THE REPORTING DATE

The accounting officer is not aware of any matter or event arising since the end of the reporting period and the date of this report, which will significantly affect the financial position and the results of the entity's operations.

39. UNAUTHORISED EXPENDITURE

Reconciliation of unauthorised expenditure		
Opening balance	377 223	1 454 701
Recovery of unauthorised expenditure	(377 223)	(1 077 478)
	-	**377 223**

The unauthorised expenditure relates to the over expenditure against the approved budget.

Subsequent to the approval of the mid-year budget donward adjustment of 2012/13, it was evident that the JDA would report a deficit of approximately R4.1 million. The JDA Board approved the utilisation of reserves up to the value of R2.4 million with the balance of R1.7 million expected to be generated from interest revenue and other income to fund the deficit.

The higher electricity costs incurred during the 2012/13 financial year as a result of the change in the method of calculating consumption, the higher recruitment costs as well as the fraud suffered in the current year resulted in the major over-expenditure in these line items.

Some of the electricity charges initially billed by City Power were reversed in the year under review.

40. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Opening balance	379 803	3 095 937
Fruitless and wasteful expenditure current year	860 468	558 789
Sweeping interest reclassified as finance charges	(361 385)	-
Fruitless and wasteful expenditure prior year	-	20 485
Fruitless and wasteful expenditure recovered	-	(3 295 408)
	878 886	**379 803**

Detail of expenditure 2015	Abortive costs - African Food Hub	Interest on Telkom payments	Total
Fruitless and wasteful expenditure identified	859 806	662	860 468

The African Food Hub Project incurred standing costs that was paid to the contractor for standing time. The JDA Development Manager delayed to provide the project's professional team with the approval of the application for road closure for the African Food Hub Project. Consequently, the engineers could not obtain the final approval for the construction drawings. This resulted in the contractor charging and claiming standing time due to delays experienced. A disciplinary process pertaining to the responsible JDA employees is currently underway in this matter,

Interest relating to late receipt of Telkom invoices - R662.

Detail of expenditure 2014	Fraud adjustment	Interest and penalties paid	Total
Fruitless and wasteful expenditure identified	20 485	558 789	579 274

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

40. FRUITLESS AND WASTEFUL EXPENDITURE (continued)

The interest and penalties paid relates sweeping interest and an amount charged by SARS on VAT return submissions. An objection was filed in dispute of this. A letter was received from SARS dated 9th September 2014, indicating that the interest and penalties previously charged had been waived. Total interest charged and recovered was - R243,604. The sweeping interest has since been reclassified as finance charges and taken out of the fruitless and wasteful expenditure line item.

41. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure	2015	2014
Opening balance	329 753	189 337
Movement for the year	43 022	140 416
Reported to the Board and condoned	(43 022)	-
	329 753	**329 753**

Details of irregular expenditure – 2015

Broll Property Management	10 692
Makro Crown Mines	26 180
Torque Technical Computer Training	6 150
	43 022

Broll Property Management

The supplier's contract with the JDA has expired and is currently on a month-to-month basis. Broll Property Management manages the Bus Factory tenants and the collection of rental. The expenditure above relates to the management fee charged by and paid to Broll for the period July 2014 until March 2015. The management of tenants is now done internally.

Makro Crown Mines

Office groceries were purchased from Makro without obtaining three quotations. The expenditure above relates to payments to Makro for the period July 2014 to November 2014. Office groceries are now procured through requests for quotations.

Torque Technical Computer Training

Training for IT staff as per approved individual Learning Plans (ILP's). Only one quotation was sourced instead of the required three from the supplier database.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

41. IRREGULAR EXPENDITURE (continued)

Details of irregular expenditure - 2014

Yawee IT Solutions (Pty) Ltd	89 532
Broll Property Management	50 884
	140 416

Yawee IT Solutions (Pty) Ltd

The supplier had previously declared in the initial supplier documentation that they were in the service of the state. The supplier was erroneously included in the panel of professional services and subsequently services were rendered from the supplier. Expenditure incurred with a service provider that is in service of the state in terms of the MFMA and Supply Chain processes of the JDA is considered irregular. To remedy the situation, the supplier was notified of their removal from the panel and any further interaction was cancelled. A disciplinary process was undertaken against the Supply Chain Manager for negligence and a warning letter issued. No loss was suffered by the JDA as the payment was for actual work performed.

Broll Property Management

The supplier's contract with the JDA has expired and is currently on a month-to-month basis. Broll Property Management manages the Bus Factory tenants and the collection of rental. The expenditure above relates to the management fee charged by and paid to Broll for the period July 2013 until June 2014. The management of tenants is now done internally.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

42. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

	2015	2014
Sinetech CC	-	2 476 941
Koketso Growth (Pty) Ltd	5 974 551	-
GVK Siya Zama (Pty) Ltd	126 095 085	-
MBP Earthworks	9 340	-
Ditlodi Community Development Co-operative	968 604	-
	133 047 580	**2 476 941**

Categories of deviation as per Regulation 36 of the MFMA	2015	2014
Services required in an emergency	9 340	-
Any other exceptional case where it is impractical or impossible to follow the official procurement processes	133 038 240	2 476 941
	133 047 580	**2 476 941**

Deviations - 2015

The deviations from normal supply chain management regulations in the current year are as follows:

Design, manufacture and erection of a monumental bronze statue of the late former President Nelson Mandela for the City of Ramallah in Palestine.

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a service provider to design, manufacture and erect a monumental bronze statue of former President Nelson Mandela for the City of Ramallah in Palestine. The deviation was to shorten the tender advertising period from 14 days to 7 days. The reason for shortening the tender advertising period was due to the stringent time frames to deliver the project.

Appointment of a contractor for the construction of the Inner City Commuter Links Phases 5 and 6

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a contractor for the construction of the Inner City Commuter Links Phases 5 and 6. The deviation was to shorten the tender advertising period from 30 days to 21 days. The tender was initially advertised publicly for 30 days however all submissions were found to be non-compliant by the Bid Evaluation Committee. The tender was then re-advertised and due to the stringent timeframes the tender advertising period was shortened.

Emergency repairs to burst geyser in tenant’s office space at the Bus Factory

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(i) for the appointment of a service provider to undertake repairs to a burst geyser. The deviation was to request a quotation from one service provider instead of three quotations from three service providers in the JDA database. This was done to minimise further damage to property and goods as a result of the burst geyser.

Appointment of service provider for Community Liaison services in Alexandra

The Accounting officer approved a deviation from normal supply chain processes as per regulation 36 (1)(a)(v) for the appointment of a service provider to manage Community Liaison Officers (CLOs) based in Alexandra. Since the beginning of the Alexandra Renewal Programme in 2001 the project has had the services of a group of CLOs. These CLO’s were appointed by the Gauteng Department of Human Settlements through an independent service provider. The contract between the Gauteng Department of Human Settlements and the service provider came to an end on 31 March 2015. These CLO's were appointed from the community and are representatives from the different political parties and community structures. The deviation from normal supply chain processes was to enter into direct negotiations with the Co-operative formed by the CLOs with a view of appointing them to provide community liaison services for the Alexandra Renewal Programme.

Deviations - 2014

Notes to the Annual Financial Statements

42. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

The Accounting Officer approved a deviation from normal supply chain processes as per Regulation 36 (1)(a)(v) for the appointment of Sinetech CC to supply, install, and repair UPS or backup battery systems at Rea Vaya BRT stations. In accordance to the design of the Intellectual Ticketing Systems and other electronic devices at stations, Sinetech CC is the sole provider of the UPS as it is the service provider that has the South African licence for the system required at the BRT stations.

Stations Retrofit Items

Deviation - Reducing tender advert period from 30 days to 14 days.

Reason for shortening tender period was to expedite retrofitting stations with glass panels, tactile pavers for the visually impaired and to comply with universal access requirements for public transport.

43. BUDGET DIFFERENCES

Material differences between budget and actual amounts

Revenue

42.1 Rendering of services - The positive variance is a combination of some income items being over what budgeted for whilst others being lower than what was budgeted for. The organisation was able to earn 99% of the budgeted management fees. This was as a result of actual capital expenditure of 87% against total allocated budget being achieved. The management fees for the year under review were budgeted at 88% of the allocated capital expenditure being spent.

42.2 Tender fee income - The positive variance on actual tender fee income against budget was rather too conservative can be attributed to incorrect budgeting. This has been corrected in the new financial year.

42.3 Sundry Income - The positive variance on sundry income is due to the transfer of funds from the IDC ring-fenced account which were held at ABSA. This account was opened nine years ago to deposit funds to be used to conduct feasibility studies on Orange Farm and Orlando West. The ring-fenced account was opened as per the instructions of the funder being the Industrial Development Corporation. The studies were concluded seven years ago and attempts to transfer the balance of the funds to the funder have been unsuccessful. When the CoJ Treasury appointed SBSA as the City’s new bankers the ABSA account had to be closed. Upon the closure of this account a decision was then taken to transfer the funds into the JDA’s SBSA account and the funds recognised as income.

42.4 Interest received - The negative variance in interest received is due to the organisation’s treasury account being overdrawn since the beginning of the financial year until the end of the financial year as a result of late settlement of JDA claims by CoJ Departments.

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

43. BUDGET DIFFERENCES (continued)

Expenditure

42.5 Employee costs - The variance of R6.6million is a combination of some of the funded vacant positions not being filled or being filled later than it was initially anticipated, resignations in some of the key positions which were only filled at the start of the 2015/16 financial year i.e EM: Planning & Strategy and EM: Corporate Services. It must be noted that the EM: Development Implementation, EM: Marketing & Communications and the Portfolio D Senior Development Manager positions are still to be filled. Furthermore three of the four filled positions in the Development Facilitation Department were filled at a much lower cost than they were budgeted for. Other vacant positions include the development facilitation manager, legal manager, budget manager, internal audit manager, legal officer, performance management training officer and employee relations & admin manager.

42.6 Depreciation and amortisation - The variance is largely due to only 9% of the allocated R5million operational capital expenditure not being spent. The SAP infrastructure and software purchases planned for the 4th quarter did not materialise so did the Bus Factory planned space planning interventions. This had a negative impact on the depreciation and amortisation charge for the year.

42.7 Finance costs - Finance costs are made up of sweeping interest charged on the overdrawn treasury account by CoJ Treasury Department. Despite an undertaking by CoJ Departments that long outstanding claims will be settled and new claims will be settled timeously, this did not materialise and resulted in higher finance costs incurred than it was initially budgeted.

42.8 Repairs and maintenance - The variance is due to the panel of service providers for plumbing and electrical services only being appointed late in the 4th quarter. Some of the planned maintenance will thus only be undertaken in the new financial year. Only emergency repairs were undertaken in year under review.

Notes to the Annual Financial Statements

43. BUDGET DIFFERENCES (continued)

42.9 General expenses - This represents under-expenditure / saving of the allocated budget. The main contributors to this variance are IT computer expenses, human resources, marketing, development facilitation and planning & strategy. Reasons for under-expenditure on the stated expenditure items are:

- Computer expenses - For this line item the variance of R1.4million is actually a saving brought about by the change in strategy in the procurement of DMIS and GP support services. Out of a budget of R1.3million only R200k was used in the year under review. Whereas previously DMIS support was procured for a fixed monthly amount over a three year period regardless of whether or not a service is rendered, when the previous contract came to an end the new contract was entered into based on an hourly rate per services rendered. This resulted in huge savings coupled with the fact that there hasn't been a lot of requirement for DMIS and GP support in the year under review.

- Training - The variance is mainly as a result of under-expenditure of R470k in the staff training & development line item. The organisation spent R604k on staff training & development out of a budget of R1.1million. This budget is based on 2% of the total salary budget. The mandatory staff training allocation in terms of the Skills Development Act is 1% of the salaries budget. Although the organisation did not meet the targeted 2%, the minimum requirements as per the Skills Development Act were exceeded since 1% of the salaries budget equates to R536k.

- Marketing - The variance is largely due to under-expenditure of R1.5million for the public relations line item. This budget had been set aside for the appointment of a service provider to assist with managing public relations activities in Alexandra to improve the JDA image in Alexandra. A tender was advertised however all proposals received exceeded the available budget and the process was put on hold due to budget constraints instead the organisation relied on active stakeholder engagement with key stakeholders in Alexandra to improve the relations with the community of Alexandra.

- Development Facilitation -.The variance is under-expenditure due to the tender process and planned expenditure (R700k) on the development of the Karzene business plan being put on hold to finalise discussions with other CoJ departments i.e JPC, DED and Transportation on the final design and use of the facility. The tender process and planned expenditure (R700k) on the proposed Watt Street Interchange interventions were put on hold due to this project being put on hold by the National Department of Transport as a result of budget constraints.

Planning & Strategy - The variance is under-expenditure mainly due to the delays experienced for the heritage impact assessment studies. Although the tender processes were undertaken, final appointment and award had to be delayed as the capacity of the recommended bidder to carry out the project had to first be verified. Furthermore the resignation of the previous Executive Manager for this department and the Acting Executive Manager going on maternity leave also had an impact in the delays experienced in the finalisation of appointing a service provider to carry out the studies

Notes to the Annual Financial Statements

Figures in Rand	2015	2014

44. ADDITIONAL DISCLOSURE IN TERMS OF MFMA

	2015	2014
Audit fees		
Current year expenditure	1 700 619	1 547 833
Amount paid in the current year	(1 700 619)	(1 547 833)
	-	-
PAYE and UIF		
Current year expenditure	10 920 862	8 557 327
Amount paid in the current year	(10 920 862)	(8 557 327)
	-	-
Pension Fund contributions		
Current year expenditure	3 046 972	2 456 925
Amount paid in the current year	(3 046 972)	(2 456 925)
	-	-
VAT		
Opening balance at the beginning of the year	14 152 520	10 448 243
Current year movement	21 682 908	14 152 520
Amount paid in the current year	(9 529 388)	(10 448 243)
	26 306 040	**14 152 520**